

DEPARTMENT OF THE NAVY
BUREAU OF NAVAL PERSONNEL
WASHINGTON, D.C. 20370-5000

IN REPLY REFER TO:
BUPERSINST 7040.14
Pers-652
26 JUL 1993

BUPERS INSTRUCTION 7040.14

From: Chief of Naval Personnel

Subj: RECORDING AND FUNDING OF REQUIRED LOCAL NATIONAL (LN)
MORALE, WELFARE AND RECREATION AND CONSOLIDATED
BACHELOR QUARTERS FUNDS OPERATING OVERSEAS

Ref: (a) Financial Management Policies and Procedures for
Morale, Welfare and Recreation Programs (NAVSO P-3520)
(b) RAMCAS User Handbook

1. Purpose. To issue revised regulations on the financing of annual leave, separation payments and other accrued benefits for local national nonappropriated fund employees.

2. Cancellation. NAVMILPERSCOMINST 7010.1C.

3. Scope. These policies apply to Morale, Welfare and Recreation (MWR) and Consolidated Bachelor Quarters (CBQ) overseas funds operating under the program management of the Chief of Naval Personnel (BUPERS) at which local national employees are entitled to severance pay, retirement pay and other benefits.

4. Background. Reference (a) requires that nonappropriated funds be set aside to meet direct payments to employees for annual leave, separation and other benefits when they come due. Failure to record such liabilities misrepresents the financial condition of the activity and could lead to a lack of cash when payment of funds is needed. Review of MWR and CBQ fund financial statements shows that some funds have not recorded the entire amount of the liability on their balance sheet and that some do not have sufficient reserves to fund potential payments.

5. Information. Restricting cash for local national retirement and severance pay is a form of self-insurance against eventual requirements for cash payments to defray liabilities.

6. Action. Commanding officers operating MWR and CBQ funds at overseas locations shall ensure that:

a. One-hundred percent of the liability for local national annual leave (Account No. 212-00), retirement and severance pay benefits (Account No. 281-00), other bonuses

payable (Account No. 282-00) and other types of employees; benefits, as may be required by local conditions or status of forces agreement, are reflected on the nonappropriated fund balance sheet.

(1) Revisions to these liability accounts will be made based on changing conditions (e.g., grade or step increases; across the board pay increases) through monthly charges against operations.

(2) At the end of each month, these liability accounts will be adjusted to reflect any significant changes in the foreign currency exchange rate. This entails applying the exchange rate at the end of the month to the liabilities. A General Journal Voucher debiting or crediting the applicable operating expense account and debiting or crediting the applicable liability and cash accounts must be prepared to record these changes.

(3) The actual amount of the liability will be validated at least semi-annually by the local fund. Subsidiary records substantiating the liability shall be maintained by the fund for management and audit review.

b. Seventy-five percent of the liability for Long Term Retirement and Severance Pay Allowance (Account No. 281-00) will be recorded to Restricted Cash-Local Nationals (Account No. 103-00). However, 100 percent of the liability will be restricted at least 1 year prior to base closure so that adequate local funds are available at base closure so that adequate local funds are available at base closure to pay off this obligation.

(1) This entry will be accomplished on a General Journal Voucher by debiting Restricted Cash - Local Nationals (Account No. 103-00) and crediting Central Bank Account (Account No. 01-00).

(2) Adjustments to the Restricted Cash Account will be necessary whenever a change occurs in the local national retirement and severance pay liability. Entries adding or subtracting from the Restricted Cash Account will be made per reference (b). It is the responsibility of each command to ensure that the restricted cash amount does not fall below the

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75 percent requirement (and 100 percent at least one year prior to base closure) to ensure that the activity continues to maintain solvency (ratio of cash + receivables - restricted cash to current liabilities of at least 1:1).

Distribution:

All Commanding Officers administering overseas MWR Funds in the Recreation and Messes Central Accounting System (RAMCAS).

Copy to:

All ISIC's and Major Claimants having RAMCAS MWR Funds under their command.

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